Attachment B.

8. In accordance with 42 C.F.R. § 438.6(c)(2)(ii)(A), describe in detail how the payment arrangement is based on the utilization and delivery of services for enrollees covered under the contract. The State should specifically discuss what must occur in order for the provider to receive the payment (e.g., utilization of services by managed care enrollees, meet or exceed a performance benchmark on provider quality metrics).

Funds under the Comprehensive Hospital Increase Reimbursement Program (CHIRP) will be paid through two components of the managed care per member per month (PMPM) capitation rates. The MCOs' distribution of CHIRP funds to the enrolled hospitals will be a directed uniform rate increase above the negotiated rate. Enrolled hospitals will be paid based upon utilization/claims for services in the program period. The hospital must have provided at least one Medicaid service to a Medicaid client in each reporting period to be eligible for payments.

In determining the percentage increases, HHSC will consider information provided by the participants in the service delivery area (SDA). HHSC will also consider:

- the class or classes of a hospital;
- the type of service or services;
- actuarial soundness of the capitation payment needed to support the rate increase;
- available budget neutrality room under any applicable federal waiver programs;
- hospital market dynamics within the SDA; and
- other HHSC goals and priorities.

The reimbursement rate increases will be determined through two components: the Uniform Hospital Rate Increase Program Payment (UHRIP) component; and, if hospitals opt in via the enrollment process, the Average Commercial Incentive Award (ACIA) component. ~~These components are described in more detail in question 19.~~

The ACIA rate increase percentage is calculated separately for inpatient and outpatient services at the individual hospital level. The inpatient ACIA increase is determined using a uniform percentage of the inpatient ACR gap. The ACR gap is calculated using the inpatient payment-to-charge ratio of commercial insurance multiplied by the inpatient Medicaid charges, minus inpatient Medicaid payments. If the hospital has a positive ACR gap (i.e., the provider is estimated to receive more from a commercial payor than it received from Medicaid), the inpatient ACIA payment is a uniform percentage of the individual hospital's ACR gap, less the estimated payments received from the UHRIP component. If the inpatient UHRIP payment is greater than the ACR gap, the provider will receive a 0% ACIA rate. All of the steps listed above are identical for the calculation of outpatient ACIA, where outpatient values are used in place of the inpatient values.

It is never possible for a provider participating in ACIA to receive reimbursement that exceeds ACR.